

MARSHALLTOWN WATER WORKS

**Independent Auditors' Reports
Basic Financial Statements and
Supplementary Information
Schedule of Findings**

June 30, 2015 and 2014

MARSHALLTOWN WATER WORKS

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MARSHALLTOWN WATER WORKS

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenneth Vinson	Trustee – Chairperson	May 1, 2017
Jerry Young	Trustee	May 1, 2019
Laura Eilers	Trustee	May 1, 2018
Steve Sincox	CEO/General Manager	Indefinite
Tim Wilson	Director of Water Products	Indefinite
Dana Pope	Director of Distribution	Indefinite
Pat Willey	Director of Finance	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Board of Trustees
Marshalltown Water Works
Marshalltown, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshalltown Water Works, a component unit of the City of Marshalltown, as of and for the years ended June 30, 2015 and 2014, and the related Notes to Financial Statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Water Works' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Works' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshalltown Water Works, Marshalltown, Iowa, a component unit of the City of Marshalltown, as of June 30, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 4 and Note 5 to the financial statements, Marshalltown Water Works adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 and Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Marshalltown Water Works' Proportionate Share of the Net Pension Liability, the Schedule of the Marshalltown Water Works' Net Pension Liability, the Schedules of the Marshalltown Water Works' Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4-6 and 29-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in pages 40 through 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respect, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2015, on our consideration of Marshalltown Water Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshalltown Water Works' internal control over financial reporting and compliance.

Bowman and Miller, P.C.

Marshalltown, Iowa
October 30, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Marshalltown Water Works' Annual Financial Report presents our discussion of the Water Works' financial statements during the fiscal year ending June 30, 2015.

Use this discussion in conjunction with the financial statements to better understand the Water Works' financial condition, which follows this section.

2015 FINANCIAL HIGHLIGHTS AND NOTEWORTHY ISSUES

- ◆ Operating revenues of the Water Works increased 5.45%, or approximately \$184,000, from fiscal year 2014 to fiscal year 2015. A onetime connection fee for the new Marshalltown Generating Station was responsible for this increase. Exclusive of this onetime connection fee, operating revenue was flat even with a 6.5% rate increase implemented at the beginning of the fiscal year.
- ◆ Operating expenses of the Water Works decreased 4.35% or approximately \$142,000 in fiscal year 2015 from fiscal year 2014. This was attributed to three primary factors. A decrease in supply costs primarily due to a reduction in water main repairs. Chemical expenses decreased due to a one time savings in lime residuals removal costs and depreciation expense decreased by \$42,570.
- ◆ The Water Works net position increased 2.65% or approximately \$302,000 due primarily to an increase in revenue and lower than budgeted expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Water Works' financial activities.

These financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. These provide information about the activities of the Water Works and present an overall view of the Water Works' finances.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Water Works' budget for the year, the Water Works' proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary information provides detailed information about the assets and liabilities in the Statements of Net Position and expense accounts of the Water Works.

The Statements of Net Position include all of the Water Works' assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and economic resources measurement focus. The financial statements report information about the Water Works using the accounting method similar to those used by private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. Over time increases and decreases in the Water Works' net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The Statements of Revenues, Expenses and Changes in Net Position present information showing how the Water Works' net position changed during the year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in these statements for some items that will not result in cash flows until future fiscal years.

The Water Works is considered a business type activity because it charges fees to customers to cover the costs of all services it provides.

FINANCIAL ANALYSIS OF THE WATER WORKS AS A WHOLE

- ◆ Operating revenues for the Water Works increased \$184,471 over fiscal year 2014 and operating expenses decreased \$141,840 resulting in operating income of \$447,743. After all non-operating income and expenses were recorded; the Water Works reported a net increase in net position of \$302,335 for the year ending June 30, 2015.
- ◆ The Water Works' operating revenues were \$3,567,600, which resulted in an increase from the previous year and was approximately 101% of the budgeted revenues. Total expenses for fiscal year 2015 were \$3,287,029 and were approximately 92.5% of the budgeted amount approved by the Board of Trustees in March 2014.

The Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB No. 25 and Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 were implemented during fiscal year 2015. The beginning net position of the Water Works was restated \$1,826,797 to retroactively report the net pension liability as of June 30, 2013, deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014 and to correct an error in the accrued insurance deductible amount. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

DEBT ADMINISTRATION

- ◆ During fiscal year 2015 the Marshalltown Water Works had no debt.

CONDITIONS OF THE WATER WORKS INFRASTRUCTURE

- ◆ The Marshalltown Water Works has spent and does spend a large portion of time maintaining and upgrading its existing infrastructure. The Marshalltown Water Works spent most of 2015 doing those types of activities. We have an annual fire hydrant replacement program and an annual valve replacement program. We have developed a list of water mains with excessive breaks. This list will be used to concentrate on water

main replacements. We also look at opportunistic water main replacements during city street renovations if the water main along that street warrants replacement.

- ◆ The Water Works, with the help of our planning agency, looks at proposed development sites within the City limits to be sure that we have developed our system to the capacity needed to serve those new areas.
- ◆ During fiscal year 2015 a leak detection survey was completed. This survey identified unknown leaks on the Water Works distribution system as well as leaks on privately owned water service lines. Repair of these previously unidentified leaks will reduce the amount of non-revenue water and reduce O&M costs.
- ◆ A water main extension project was started along S. 18th Ave to expand service to a new manufacturing site.
- ◆ The final well in our multi-year plan is planned to be raised and rehabilitated during fiscal year 2016.
- ◆ Design of a new ground storage reservoir, pumping station, backup generator and other treatment plant improvements began in fiscal year 2015. Bidding and financing for this project will happen during fiscal year 2016.
- ◆ Other planned system upgrades for fiscal year 2016 include water meter replacement, vehicle replacement, water main replacement and water tower painting.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- ◆ The proposed treatment plant improvements will be funded with a State Revolving Fund (SRF) loan. The Water Works has applied for the SRF loan and has been placed on the Intended Use Plan. Once the project is bid and the final costs are known, the 1.75% loan will be finalized. Current estimates for the project range between 8.0 and 8.6 million dollars.
- ◆ In July 2015 HDR Engineering Inc. was retained to perform a Comprehensive Water Rate Study. The purpose of the rate study is to review the current and projected O & M costs of the utility as well as the projected bond financing and fully funding our 5 year capital improvement plan.

CONTACTING THE WATER WORKS' FINANCIAL MANAGEMENT

This financial report is designed to provide customers, investors, and creditors of the Marshalltown Water Works with a general overview of its financial situation and to demonstrate the accountability of the Water Works for the money it receives. If you have any questions about this report, you may contact either Steve Sincox or Pat Willey at 205 East State Street, P.O. Box 1420, Marshalltown, IA 50158 or at (641) 753-7913.

MARSHALLTOWN WATER WORKS

Statements of Net Position June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
<u>ASSETS:</u>			
Current assets:			
Cash and cash equivalents	\$ 1,749,441	1,235,600	513,841
Receivables:			
Customer	270,260	271,640	(1,380)
Unbilled water usage	77,885	58,288	19,597
Other receivables	22,605	31,888	(9,283)
Prepaid expenses	40,399	36,518	3,881
Restricted cash and cash equivalents	587,224	484,469	102,755
Total current assets	<u>2,747,814</u>	<u>2,118,403</u>	<u>629,411</u>
Investments:			
Certificates of deposit	300,000	300,000	-
Capital reserve	400,757	400,802	(45)
Total investments	<u>700,757</u>	<u>700,802</u>	<u>(45)</u>
Capital assets:			
Capital assets	25,167,989	25,022,753	145,236
Accumulated depreciation	(14,225,070)	(13,721,514)	(503,556)
Net capital assets	<u>10,942,919</u>	<u>11,301,239</u>	<u>(358,320)</u>
Total assets	<u>14,391,490</u>	<u>14,120,444</u>	<u>271,046</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Pension related deferred outflows	<u>109,630</u>	<u>44,018</u>	<u>65,612</u>
Total assets and deferred outflows of resources	\$ <u>14,501,120</u>	<u>14,164,462</u>	<u>336,658</u>

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
<u>LIABILITIES:</u>			
Current liabilities:			
Accounts payable	\$ 62,422	206,039	(143,617)
Payable from restricted assets:			
Landfill fees	13,690	11,209	2,481
Sewer fees	331,743	261,697	70,046
Storm sewer fees	71,588	48,413	23,175
Customer deposits - sewer	99,515	92,205	7,310
Customer deposits - water	74,480	67,940	6,540
Accrued liabilities	<u>2,053,152</u>	<u>161,275</u>	<u>1,891,877</u>
Total current liabilities	<u>2,706,590</u>	<u>848,778</u>	<u>1,857,812</u>
Long-term liabilities:			
Net pension liability	1,770,492	1,833,438	(62,946)
Net OPEB liability	<u>87,421</u>	<u>77,472</u>	<u>9,949</u>
Total long-term liabilities	<u>1,857,913</u>	<u>1,910,910</u>	<u>(52,997)</u>
Total liabilities	<u>4,564,503</u>	<u>2,759,688</u>	<u>1,804,815</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Unavailable revenues:			
Pension related deferred inflows	<u>117,020</u>	<u>-</u>	<u>117,020</u>
Total liabilities and deferred inflows of resources	<u>4,681,523</u>	<u>2,759,688</u>	<u>1,921,835</u>
<u>NET POSITION:</u>			
Net investment in capital assets	10,942,919	11,301,239	(358,320)
Unrestricted:			
Unrestricted	<u>764,190</u>	<u>103,535</u>	<u>660,655</u>
Total net position	<u>11,707,109</u>	<u>11,404,774</u>	<u>302,335</u>
Total liabilities, deferred inflows of resources and net position	\$ <u><u>16,388,632</u></u>	<u><u>14,164,462</u></u>	<u><u>2,224,170</u></u>

MARSHALLTOWN WATER WORKS

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Residential	\$ 1,453,089	1,430,063	23,026
Multi-family	190,507	185,965	4,542
Commercial	449,465	437,663	11,802
Irrigation	23,560	60,085	(36,525)
Industrial	461,704	435,378	26,326
Wholesale	667,814	705,973	(38,159)
Non-metered	3,095	3,457	(362)
City contract services	62,094	62,107	(13)
Penalties	38,877	35,729	3,148
Customer service	212,903	23,418	189,485
Testing laboratory	4,492	3,291	1,201
Total operating revenues	<u>3,567,600</u>	<u>3,383,129</u>	<u>184,471</u>
Operating expenses:			
Salaries and wages	1,008,638	1,001,738	6,900
Payroll taxes and benefits	369,173	378,437	(9,264)
Utilities	271,569	256,138	15,431
Fuels	17,014	21,418	(4,404)
Supplies	116,559	159,323	(42,764)
Maintenance	99,567	83,695	15,872
Chemicals	578,646	658,890	(80,244)
Contract services	3,850	8,263	(4,413)
Insurance	55,845	57,095	(1,250)
Professional fees	16,995	15,405	1,590
Other operating expense	34,696	31,420	3,276
Depreciation	547,305	589,875	(42,570)
Total operating expenses	<u>3,119,857</u>	<u>3,261,697</u>	<u>(141,840)</u>
Operating income	<u>447,743</u>	<u>121,432</u>	<u>326,311</u>

MARSHALLTOWN WATER WORKS

Statements of Revenues, Expenses and Changes in Net Position (Continued) For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Non-operating revenues (expenses):			
Interest income	5,503	5,462	41
Rentals	1,800	1,050	750
Miscellaneous income	14,461	10,126	4,335
Loss on sale of equipment	(148,323)	-	(148,323)
Interest expense	-	(7,214)	7,214
Miscellaneous expense	(18,849)	(24,238)	5,389
Total non-operating revenues (expenses)	<u>(145,408)</u>	<u>(14,814)</u>	<u>(130,594)</u>
Changes in net position	302,335	106,618	195,717
Net position beginning of year, as restated	<u>11,404,774</u>	<u>11,298,156</u>	<u>106,618</u>
Net position end of year	\$ <u><u>11,707,109</u></u>	<u><u>11,404,774</u></u>	<u><u>302,335</u></u>

MARSHALLTOWN WATER WORKS

Statements of Cash Flows For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from customers	\$ 3,558,666	3,384,658
Cash payments to suppliers for goods and services	(1,232,800)	(1,054,299)
Cash payments to employees and professional contractors for services	(1,374,922)	(1,388,021)
Net cash provided by operating activities	<u>950,944</u>	<u>942,338</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	702,103	703,504
Purchase of investments	(702,058)	(703,756)
Investment income	5,503	5,462
Receipt of rental income	1,800	1,050
Other non-operating expenses	(4,387)	(14,112)
Net cash provided (used) in investing activities	<u>2,961</u>	<u>(7,852)</u>
Cash flows from capital and related financing activities:		
Payment on revenue bond	-	(225,000)
Interest paid on revenue bond/note	-	(7,214)
Acquisition of capital assets	(348,697)	(401,247)
Disposal of capital assets	11,388	-
Net cash used by financing activities	<u>(337,309)</u>	<u>(633,461)</u>
Net change in cash and cash equivalents	616,596	301,025
Cash and cash equivalents at beginning of year	<u>1,720,069</u>	<u>1,403,706</u>
Cash and cash equivalents at end of year	<u>\$ 2,336,665</u>	<u>1,720,069</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 447,743	121,432
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	547,305	589,875

MARSHALLTOWN WATER WORKS

Statements of Cash Flows (Continued) For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
(Increase) decrease in assets:		
Accounts receivable	1,380	5,590
Unbilled water usage	(19,597)	(5,102)
Other receivables	9,283	1,041
Prepaid expenses	(3,881)	(5,968)
Deferred outflows of resources	(65,612)	-
Increase (decrease) in liabilities:		
Accounts payable	(143,617)	141,104
Payable to sewer fund	70,046	54,888
Payable to landfill fund	2,481	1,172
Payable to storm sewer fund	23,175	27,634
Customer deposits-sewer	7,310	9,925
Customer deposits-water	6,540	7,155
Accrued liabilities	4,365	(6,408)
Net pension liability	(62,946)	-
Net OPEB liability	9,949	-
Deferred inflows of resources	<u>117,020</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 950,944</u>	<u>942,338</u>
Reconciliation of cash and cash equivalents at year end to specific assets included in the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	\$ 1,749,441	1,235,600
Restricted assets:		
Cash and cash equivalents:		
Water deposits	74,480	67,940
Sewer deposits	99,515	92,205
Sewer cash	330,692	263,300
Storm sewer cash	68,847	49,815
Landfill cash	<u>13,690</u>	<u>11,209</u>
Cash and cash equivalents at year end	<u>\$ 2,336,665</u>	<u>1,720,069</u>

MARSHALLTOWN WATER WORKS

Notes to Financial Statements June 30, 2015 and 2014

Note 1. Summary of Significant Accounting Policies

The Marshalltown Water Works (the Water Works) is a component unit of the City of Marshalltown, as determined by criteria specified by the Governmental Accounting Standards Board. The Marshalltown Water Works is governed by a three-member board of trustees appointed by the Mayor and confirmed by the City Council, which exercises oversight responsibility under this criteria.

The financial statements of the Water Works are prepared in accordance with accounting principles generally accepted in the United States of America. The Water Works reporting entity applies all relevant GASB pronouncements. The Water Works has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The accounts of the Water Works are primarily organized as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

The Water Works distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Water Works' principal ongoing operations. All revenue and expenses not meeting the definition are reported as nonoperating revenues and expenses.

A. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Water Works considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

B. Customer Accounts and Unbilled Usage

Accounts receivable represent uncollected amounts billed for water usage at June 30, 2015 and 2014. Because of the Water Works' policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded. Unbilled usage for service consumed between periodic schedule billing dates is estimated as revenue in the period in which the service is provided.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 1. Summary of Significant Accounting Policies (Continued)

C. Budgets

In accordance with the Code of Iowa, the Water Works annually adopts a budget on the accrual basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

D. Estimates

The Water Works uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

E. Capital Assets

Additions to the plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Reportable capital assets are defined by the Water Works as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Plants, wells, storage and distribution	\$5,000
Meters	5,000
Equipment and vehicles	1,000

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Asset Class	Estimated Useful Lives (In Years)
Plants, wells and storage	10-40 years
Distribution property	50-99 years
Meters	10-20 years
Vehicles	5 years
Equipment	7-10 years

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 1. Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers and amounts due to the City of Marshalltown for collection of sewer, landfill and storm sewer fees.

G. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the Statements of Net Position represent the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 1. Summary of Significant Accounting Policies (Continued)

J. Net Position

Net Position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

K. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The Water Works' deposits at June 30, 2015 and 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Water Works is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants on improvement certificates of a drainage district.

The Water Works' investments consist entirely of certificates of deposits at June 30, 2015 and 2014.

Interest rate risk – The Water Works' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Water Works.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 3. Compensated Absences

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. The liability is recorded in the Statements of Net Position based on current rates of pay.

Note 4. Pension Plan – IPERS

Plan Description – IPERS membership is mandatory for employees of the Water Works, except those covered by the Marshalltown Water Works Supplemental Retirement and Pension Plan. Employees of the Water Works are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 4. Pension Plan – IPERS (Continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Water Works contributed 8.93 percent for a total rate of 14.88 percent.

The Water Works' total contributions to IPERS for the year ended June 30, 2015 were \$44,842.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 4. Pension Plan – IPERS (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Water Works reported a liability of \$298,746 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Water Works' collective proportion was .0075329 percent which was an increase of .0003176 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Water Works recognized pension expense of \$23,007. At June 30, 2015 the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,247	-
Changes of assumptions	13,184	-
Net difference between projected and actual earnings on pension plan investments	-	113,933
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	2,984	-
Water Works contributions subsequent to the measurement date	44,842	-
Total	\$ 64,257	113,933

\$44,842 reported as deferred outflows of resources related to pensions resulting from the Water Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 4. Pension Plan – IPERS (Continued)

Year Ended June 30,	Total
2016	\$ (23,947)
2017	(23,947)
2018	(23,947)
2019	(23,948)
2020	1,271
	<u>\$ (94,518)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 4. Pension Plan – IPERS (Continued)

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Water Works will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Water Works' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Water Works' proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Water Works' proportionate share of the net pension liability:	\$ 564,473	298,746	74,446

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 4. Pension Plan – IPERS (Continued)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan

Plan Description – The Water Works maintains the Marshalltown Water Works Supplemental Retirement and Pension Plan, which is a single employer defined benefit plan administered by United Bank and Trust.

The Plan was established by the Marshalltown Water Works' Board of Trustees on September 30, 1953. The Plan was restated and amended on January 1, 2014. The Board of Trustees has the authority to amend the Plan at any time.

Pension Benefits – Employees who retire at or after age 65, or age 62 with 25 years of credited service, are entitled to retirement benefits payable monthly for life. Monthly benefits are equal to 2.12% of the employee's five-year final average salary multiplied by the number of years of consecutive service for the year ended June 30, 2015. Service prior to January 1, 1986 shall be limited to 25 years. Benefits are fully vested on reaching 10 or more years of credited service.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability benefits is eligible to claim Water Works pension benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement and has participated in the plan for 10 or more years prior to death, and is totally vested, the surviving spouse may request a return of the participant's accrued contributions with interest to the date of the participant's death, or may leave the balance in the pension plan and be entitled to a joint and 100% survivor annuity at the time the participant would have become eligible for pension benefits.

Contributions – The Water Works' funding policy provides for employer and employee contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The frozen entry age actuarial cost method is used to determine annual plan costs. The employer contribution rate for the year ended June 30, 2015 was 8.93% plus an additional \$3,000 per bi-weekly payroll. The employee contribution rate for the year ended June 30, 2015 was 4.95%. Contributions paid by the Water Works for the year ended June 30, 2015 totaled \$121,274, and the contributions paid by employees totaled \$23,987.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Water Works reported a net pension liability of \$1,471,746. The net pension liability was measured as of April 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan (Continued)

For the year ended June 30, 2015, the Water Works recognized pension expense of \$131,571. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 45,373	-
Net difference between projected and actual earnings on pension plan investments	-	3,087
Total	\$ 45,373	3,087

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ 11,831
2017	11,831
2018	11,832
2019	6,792
2020	-
	\$ 42,286

Actuarial Assumptions – The total pension liability in the April 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rates of salary increase (Effective June 30, 2013)	3.00 percent per annum
Long-term investment rate of return (effective June 30, 2013)	7.00 percent, compounded annually

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan (Continued)

The actuarial assumptions used in the April 1, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the 1983 Group Annuity Mortality Table.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation). These ranges are combined to produce the long-term expected rate of return. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.46% based on the target allocation of assets summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>
Large Cap Equity	30 %
Small Cap Equity	10
International Equity	10
High Dividend Equity	10
Fixed Income	40
Total	<u>100 %</u>

Sensitivity of the Water Works' Net Pension Liability to Changes in the Discount Rate – The following presents the Water Works' net pension liability calculated using the discount rate of 7.0 percent, as well as what the Water Works' net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Water Works' net pension liability	\$ 1,723,291	1,471,746	1,257,354

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The Water Works operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 22 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with United Healthcare. Retirees under age 65 pay 102% of the premium for the medical/prescription drug benefit of active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Water Works. The Water Works currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Water Works' annual OPEB cost is calculated based on the annual required contribution (ARC) of the Water Works, and amount actuarially determined in accordance with GASB statement No. 45. The Water Works has elected to calculate ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Water Works' annual OPEB cost for the years ended June 30, 2015 and 2014, the amounts actually contributed to the plan and changes in the Water Work's net OPEB obligation:

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 15,893	14,773
Interest on OPEB obligation	3,099	2,485
Adjustments to annual required contributions	(4,480)	(1,920)
Annual OPEB cost	<u>14,512</u>	<u>15,338</u>
Contributions made	<u>(4,563)</u>	<u>-</u>
Increase in net OPEB obligation	<u>9,949</u>	<u>15,338</u>
Net OPEB obligation beginning of year	<u>77,472</u>	<u>62,134</u>
Net OPEB obligation end of year	<u>\$ 87,421</u>	<u>77,472</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the Water Works contributed \$119,140 to the medical plan. Plan members eligible for benefits contributed \$35,529 or 23% of the premium costs.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

The Water Works' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 14,815	22.9%	\$ 11,425
2010	14,611	25.2%	22,359
2011	14,416	24.8%	33,205
2012	14,181	0.0%	47,386
2013	14,748	0.0%	62,134
2014	15,338	0.0%	77,472
2015	14,512	31.4%	87,421

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$105,915, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$105,915. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$982,360 and the ratio of the UAAL to covered payroll was 10.8%. As of June 30, 2015 and 2014 there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

Mortality rates are from the 2010 United States Life Tables, applied on a gender-specific basis. Based on historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are \$424 per month for single retirees and \$849 per month for retirees and spouse. These costs were determined from the estimated age-adjusted premium rates of the plan and the method provided by the alternative measurement method under GASB 45. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Capital Assets

Capital assets are stated at cost as follows at June 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,112,721	1,112,721
Plant and source of supply	9,941,164	9,863,709
Booster station	165,996	165,996
Distribution system and pipe	10,978,946	10,975,220
Meters	1,279,285	1,264,535
Machinery and equipment	427,748	400,048
Vehicles	216,584	198,429
Capital improvements	82,654	82,654
Capital improvements - buildings	572,779	572,779
Office equipment and furnishings	390,112	386,662
	<u>25,167,989</u>	<u>25,022,753</u>
Less accumulated depreciation	<u>(14,225,070)</u>	<u>(13,721,514)</u>
	<u>\$ 10,942,919</u>	<u>11,301,239</u>

Depreciation expense was \$547,305 for the year ended June 30, 2015 and \$589,875 for the year ended June 30, 2014.

Note 8. Concentrations of Credit Risk

Concentrations of credit risk with respect to accounts receivable is limited due to the large number of customers comprising the Water Works' customer base and the Water Works' policy of receiving a deposit amount or a credit reference from another utility before beginning service. However, some risk exists due to the small geographic location of all the receivable.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 9. Risk Management

The Water Works is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Water Works assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for 2015 and 2014. There have been no reductions in insurance coverage from prior years.

Note 10. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB No. 25 and Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment to GASB No. 27, were implemented during the fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 67 and No. 68 require a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position June 30, 2014, as previously reported	\$	13,231,571
Accrued insurance deductible		(37,377)
Net pension liability at June 30, 2014		(1,833,438)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date		<u>44,018</u>
Net position July 1, 2014, as restated	\$	<u><u>11,404,774</u></u>

The beginning net position was also restated for a prior year error in the accrued insurance deductible account.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2015 and 2014

Note 11. Commitment

The Water Works entered into a contract for the construction of a water main extension. The total cost of the contract is \$354,450 and the Water Works has a remaining balance due on the contract of \$182,143 at June 30, 2015.

Note 12. Date of Management Evaluation

Management has evaluated subsequent events through October 30, 2015, the date on which the financial statements were available to be issued.

Required Supplementary Information

MARSHALLTOWN WATER WORKS

Budgetary Comparison Schedule of Revenues, Expenses and Changes in Balances - Budget to Actual Required Supplementary Information For the Year Ended June 30, 2015

	<u>Actual</u>	<u>Budgeted Amounts Original/Final</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for services	\$ 3,567,600	3,536,585	31,015
Miscellaneous	21,764	17,000	4,764
Total revenues	<u>3,589,364</u>	<u>3,553,585</u>	<u>35,779</u>
Expenses:			
Business type activities	<u>3,287,029</u>	<u>3,552,685</u>	<u>265,656</u>
Increase in net position	302,335	900	301,435
Net position beginning of year	<u>11,404,774</u>	<u>2,545,880</u>	<u>8,858,894</u>
Net position end of year	\$ <u><u>11,707,109</u></u>	<u><u>2,546,780</u></u>	<u><u>9,160,329</u></u>

MARSHALLTOWN WATER WORKS

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2015

In accordance with the Code of Iowa, the Water Works' Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

There were no budget amendments for the Water Works during fiscal year 2015.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

MARSHALLTOWN WATER WORKS
Schedule of the Water Works' Proportionate Share of the
Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
Required Supplementary Information

	<u>2015</u>
Water Works' proportion of the net pension liability	0.0075329 %
Water Works' proportionate share of the net pension liability	\$ 298,746
Water Works' covered-employee payroll	\$ 492,923
Water Works' proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Water Works will present information for those years for which information is available.

MARSHALLTOWN WATER WORKS
Schedule of the Water Works' Net Pension Liability
Supplemental Retirement and Pension Plan
Required Supplementary Information

	<u>2015*</u>
Water Works' net pension liability	\$ 1,471,746
Water Works' covered-employee payroll	\$ 448,704
Water Works' net pension liability as a percentage of its covered-employee payroll	328 %
Plan fiduciary net position as a percentage of the total pension liability	46.85 %

* The amounts presented for each fiscal year were determined as of April 1.

Note: GASB Statement No. 67 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Water Works will present information for those years for which information is available.

MARSHALLTOWN WATER WORKS
Schedule of Water Works Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 44,842	44,018	41,028	36,382
Contributions in relation to the statutorily required contribution	<u>(44,842)</u>	<u>(44,018)</u>	<u>(41,028)</u>	<u>(36,382)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Water Works' covered-employee payroll	\$ 502,146	492,923	473,218	450,830
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
30,686	28,064	25,865	23,482	22,694	22,471
<u>(30,686)</u>	<u>(28,064)</u>	<u>(25,865)</u>	<u>(23,482)</u>	<u>(22,694)</u>	<u>(22,471)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
441,525	422,015	407,323	388,132	394,678	390,800
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

MARSHALLTOWN WATER WORKS
Schedule of Water Works Contributions
Supplemental Retirement and Pension Plan
Last 10 Fiscal Years
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially required contribution	\$ 121,145	122,357	117,189	112,779
Contributions in relation to the actuarially required contribution	<u>(121,145)</u>	<u>(122,357)</u>	<u>(117,189)</u>	<u>(112,779)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Water Works' covered-employee payroll	\$ 483,147	500,366	478,884	479,708
Contributions as a percentage of covered-employee payroll	25.07%	24.45%	24.47%	23.51%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
111,885	114,091	91,232	34,708	31,193	29,456
<u>(111,885)</u>	<u>(114,091)</u>	<u>(91,232)</u>	<u>(34,708)</u>	<u>(31,193)</u>	<u>(29,456)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
470,579	547,402	543,736	514,193	462,119	436,385
23.78%	20.84%	16.78%	6.75%	6.75%	6.75%

MARSHALLTOWN WATER WORKS

Notes to Required Supplementary Information –

IPERS Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years.

MARSHALLTOWN WATER WORKS
Notes to Required Supplementary Information –
IPERS Pension Liability
Year ended June 30, 2015

It also included in the calculation of the UAL amortization payments for one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

MARSHALLTOWN WATER WORKS

Schedule of Funding Progress for the Retiree Health Plan Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 95,737	\$ 95,737	0.0%	\$ 822,816	11.6%
2010	July 1, 2008	-	95,737	95,737	0.0%	754,252	12.7%
2011	July 1, 2008	-	95,737	95,737	0.0%	764,580	12.5%
2012	July 1, 2011	-	90,876	90,876	0.0%	867,121	10.5%
2013	July 1, 2011	-	90,876	90,876	0.0%	922,135	9.9%
2014	July 1, 2011	-	90,876	90,876	0.0%	862,042	10.5%
2015	July 1, 2014	-	105,915	105,915	0.0%	982,360	10.8%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Supplementary Information

MARSHALLTOWN WATER WORKS

Schedules of Net Position Detail June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Cash:			
Cash on hand	\$ 330	330	-
Petty cash	300	300	-
Cash in bank	1,748,811	1,234,970	513,841
Water deposits	74,480	67,940	6,540
	<u>1,823,921</u>	<u>1,303,540</u>	<u>520,381</u>
Cash held for city:			
Sewer deposit fund	99,515	92,205	7,310
Sewer cash	330,692	263,300	67,392
Storm sewer cash	68,847	49,815	19,032
Landfill cash	13,690	11,209	2,481
Total cash held for city	<u>512,744</u>	<u>416,529</u>	<u>96,215</u>
Total cash and cash equivalents	<u>\$ 2,336,665</u>	<u>1,720,069</u>	<u>616,596</u>
Capital assets:			
Land	\$ 1,112,721	1,112,721	-
Plant and source of supply	9,941,164	9,863,709	77,455
Accumulated depreciation - plant	(8,362,268)	(8,039,863)	(322,405)
Distribution system and pipe	10,978,946	10,975,220	3,726
Accumulated depreciation - distribution	(3,451,413)	(3,374,693)	(76,720)
Booster station	165,996	165,996	-
Accumulated depreciation-booster station	(75,758)	(73,258)	(2,500)
Meters	1,279,285	1,264,535	14,750
Accumulated depreciation - meters	(1,038,502)	(1,004,524)	(33,978)
Machinery and equipment	427,748	400,048	27,700
Accumulated depreciation - machinery and equipment	(360,390)	(340,171)	(20,219)
Vehicles	216,584	198,429	18,155
Accumulated depreciation - vehicles	(165,031)	(141,876)	(23,155)
Capital improvements	82,654	82,654	-
Accumulated depreciation - capital improvements	(42,587)	(38,305)	(4,282)
Capital improvements - buildings	572,779	572,779	-
Accumulated depreciation - buildings	(360,541)	(346,628)	(13,913)
Office equipment and furnishings	390,112	386,662	3,450
Accumulated depreciation - office equipment and furnishings	<u>(368,580)</u>	<u>(362,196)</u>	<u>(6,384)</u>
Net capital assets	<u>\$ 10,942,919</u>	<u>11,301,239</u>	<u>(358,320)</u>

MARSHALLTOWN WATER WORKS

Schedules of Net Position Detail (Continued) June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Prepaid expenses:			
Prepaid insurance	\$ 14,736	14,655	81
Prepaid computer maintenance	18,991	18,807	184
Prepaid billing supplies	<u>6,672</u>	<u>3,056</u>	<u>3,616</u>
Total prepaid expenses	<u>\$ 40,399</u>	<u>36,518</u>	<u>3,881</u>
Other receivables:			
Miscellaneous accounts receivable billings	\$ 21,374	30,010	(8,637)
Interest receivable	895	907	(12)
Contract receivables	<u>336</u>	<u>971</u>	<u>(635)</u>
Total other receivables	<u>\$ 22,605</u>	<u>31,888</u>	<u>(9,284)</u>
Accrued liabilities:			
Accrued sales tax	\$ 15,768	14,292	1,476
Accrued F.I.C.A.	3,516	3,243	273
Accrued payroll	47,983	44,214	3,769
Accrued pension	2,010	1,843	167
Accrued vacation	94,774	95,789	(1,015)
Accrued retirement expense	2,219	1,988	231
Insurance deductible	<u>(630)</u>	<u>(94)</u>	<u>(536)</u>
Total accrued liabilities	<u>\$ 165,640</u>	<u>161,275</u>	<u>4,365</u>

MARSHALLTOWN WATER WORKS

Schedules of Treatment Plant Expenses For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Salaries:			
Operational	\$ <u>379,024</u>	<u>376,809</u>	<u>2,215</u>
Employee benefits:			
Health insurance	48,939	48,320	619
Pension	48,780	55,302	(6,522)
Social security	27,574	27,567	7
Life insurance	853	893	(40)
Mileage	387	248	139
Registration	1,367	1,734	(367)
Lodging	588	1,453	(865)
Safety clothing	790	1,980	(1,190)
Dues	490	450	40
Food	601	409	192
Travel	<u>-</u>	<u>1,087</u>	<u>(1,087)</u>
	<u>130,369</u>	<u>139,443</u>	<u>(9,074)</u>
Utilities:			
Electric	239,164	221,186	17,978
Gas	12,337	13,658	(1,321)
Internet	322	321	1
Telephone	<u>1,501</u>	<u>1,314</u>	<u>187</u>
	<u>253,324</u>	<u>236,479</u>	<u>16,845</u>
Depreciation:			
Plant depreciation	322,405	355,383	(32,978)
Vehicle depreciation	<u>5,538</u>	<u>5,538</u>	<u>-</u>
	<u>327,943</u>	<u>360,921</u>	<u>(32,978)</u>
Fuels:			
Gas	1,507	2,016	(509)
Oil	750	-	750
Diesel	<u>1,959</u>	<u>33</u>	<u>1,926</u>
	<u>4,216</u>	<u>2,049</u>	<u>2,167</u>
Supplies:			
Lab supplies	21,362	20,264	1,098
Plant supplies	<u>302</u>	<u>437</u>	<u>(135)</u>

MARSHALLTOWN WATER WORKS

Schedules of Treatment Plant Expenses (Continued) For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Supplies (continued):			
Building supplies	-	83	(83)
Well supplies	146	55	91
Cleaning supplies	178	7	171
General supplies	1,645	1,207	438
Health and first aid	381	209	172
Operational fees and permits	2	1,025	(1,023)
CIWA meter pit supplies	918	1,889	(971)
Safety equipment	-	233	(233)
	<u>24,934</u>	<u>25,409</u>	<u>(475)</u>
Maintenance:			
Building maintenance	2,029	5,369	(3,340)
Machinery maintenance	16,942	12,337	4,605
Heating and air conditioner maintenance	2,811	630	2,181
Computer maintenance	254	1,883	(1,629)
Grounds maintenance	1,022	2,896	(1,874)
Well field maintenance	16,554	2,363	14,191
Safety equipment maintenance	168	260	(92)
CIWA meter pit maintenance	-	1,436	(1,436)
Vehicle maintenance	217	1,011	(794)
	<u>39,997</u>	<u>28,185</u>	<u>11,812</u>
Chemicals:			
Pebble-lime	244,178	252,518	(8,340)
CO2	16,243	16,871	(628)
CL2	30,601	38,597	(7,996)
Fluoride	17,215	20,249	(3,034)
Poly-phosphate	10,752	13,198	(2,446)
Lime sludge removal	243,300	302,257	(58,957)
Sodium chlorite	16,357	15,200	1,157
	<u>578,646</u>	<u>658,890</u>	<u>(80,244)</u>
Contract services:			
Lab services	2,498	6,950	(4,452)
	<u>2,498</u>	<u>6,950</u>	<u>(4,452)</u>
Total treatment plant	\$ <u>1,740,951</u>	<u>1,835,135</u>	<u>(94,184)</u>

MARSHALLTOWN WATER WORKS

Schedules of Construction and Maintenance Expenses For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Salaries:			
General salaries	\$ 226,837	212,945	13,892
Employee benefits:			
Health insurance	33,064	28,520	4,544
Pension	32,652	36,366	(3,714)
Social security	17,133	16,111	1,022
Life insurance	551	487	64
Mileage	-	62	(62)
Registration	715	351	364
Annual dues	374	-	374
Food	94	44	50
Lodging	-	292	(292)
Health and first aid	32	307	(275)
Safety clothing	1,596	1,676	(80)
Safety training	-	600	(600)
	<u>86,211</u>	<u>84,816</u>	<u>1,395</u>
Depreciation:			
Distribution depreciation	120,471	129,908	(9,437)
Vehicle depreciation	14,799	8,657	6,142
Booster station depreciation	2,500	2,383	117
Equipment depreciation	20,218	18,696	1,522
	<u>157,988</u>	<u>159,644</u>	<u>(1,656)</u>
Fuels:			
Gas	3,768	4,736	(968)
Oil	806	369	437
Grease	185	85	100
Diesel fuel	3,666	8,650	(4,984)
	<u>8,425</u>	<u>13,840</u>	<u>(5,415)</u>

MARSHALLTOWN WATER WORKS

Schedules of Construction and Maintenance Expenses (Continued) For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Supplies:			
Distribution supplies	6,427	1,849	4,578
Shop supplies	1,730	2,475	(745)
Leak repair supplies	54,243	109,138	(54,895)
Hydrant and valve supplies	8,704	2,525	6,179
Booster station supplies	14	-	14
Safety equipment	-	219	(219)
	<u>71,118</u>	<u>116,206</u>	<u>(45,088)</u>
Maintenance:			
Vehicle maintenance	2,551	842	1,709
Equipment maintenance	11,431	17,556	(6,125)
Computer maintenance	975	837	138
Safety equipment maintenance	709	103	606
Tower maintenance	6,840	616	6,224
Well field maintenance	1,254	31	1,223
Booster station maintenance	1,057	3,183	(2,126)
	<u>24,817</u>	<u>23,168</u>	<u>1,649</u>
Total construction and maintenance	\$ <u>575,396</u>	<u>610,619</u>	<u>(35,223)</u>

MARSHALLTOWN WATER WORKS

Schedules of Customer Service and Meter Expenses For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Salaries:			
Salaries	\$ <u>130,774</u>	<u>131,753</u>	<u>(979)</u>
Employee benefits:			
Health insurance	23,690	24,780	(1,090)
Pension	16,513	18,733	(2,220)
Social security	9,376	9,465	(89)
Life insurance	309	309	-
Safety clothing	350	290	60
Safety training	-	400	(400)
	<u>50,238</u>	<u>53,977</u>	<u>(3,739)</u>
Depreciation:			
Vehicle depreciation	2,817	8,657	(5,840)
Meter depreciation	<u>33,978</u>	<u>33,693</u>	<u>285</u>
	<u>36,795</u>	<u>42,350</u>	<u>(5,555)</u>
Fuels:			
Gas	4,215	5,390	(1,175)
Oil	104	85	19
LP	54	54	-
	<u>4,373</u>	<u>5,529</u>	<u>(1,156)</u>
Maintenance:			
Vehicle maintenance	1,153	315	838
Equipment maintenance	<u>58</u>	<u>165</u>	<u>(107)</u>
	<u>1,211</u>	<u>480</u>	<u>731</u>
Supplies:			
General supplies	2,266	1,590	676
Meter repair supplies	423	513	(90)
Shop supplies	125	53	72
Service repair supplies	743	909	(166)
Safety equipment	8	-	8
	<u>3,565</u>	<u>3,065</u>	<u>500</u>
Total customer service and meter	\$ <u><u>226,956</u></u>	<u><u>237,154</u></u>	<u><u>(10,198)</u></u>

MARSHALLTOWN WATER WORKS

Schedules of Administrative and Non-Operating Expenses For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Salaries:			
Administrative salaries	\$ <u>272,003</u>	<u>280,231</u>	<u>(8,228)</u>
Employee benefits:			
Health insurance	18,791	16,240	2,551
Pension	54,129	53,028	1,101
Social security	19,887	20,422	(535)
Life insurance	765	738	27
Mileage	2,686	2,814	(128)
Registration fees	470	1,017	(547)
Dues and subscriptions	5,589	5,573	16
Lodging	-	288	(288)
Food	38	81	(43)
	<u>102,355</u>	<u>100,201</u>	<u>2,154</u>
Utilities:			
Electricity	7,136	8,340	(1,204)
Gas	3,572	4,243	(671)
Internet expense	252	168	84
Telephone	7,285	6,908	377
	<u>18,245</u>	<u>19,659</u>	<u>(1,414)</u>
Depreciation:			
Building depreciation	13,914	16,688	(2,774)
Capital improvement depreciation	4,281	4,281	-
Equipment depreciation	6,384	5,991	393
	<u>24,579</u>	<u>26,960</u>	<u>(2,381)</u>
General supplies:			
Building supplies	679	-	679
Office supplies	3,875	3,956	(81)
Data processing supplies	798	622	176
General supplies	3,741	4,725	(984)
Operational fees and permits	7,111	4,039	3,072
Health and first aid	738	1,301	(563)
	<u>16,942</u>	<u>14,643</u>	<u>2,299</u>

MARSHALLTOWN WATER WORKS

Schedules of Administrative and Non-Operating Expenses (Continued) For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Maintenance:			
Computer maintenance	28,627	27,017	1,610
Office machine maintenance	2,925	2,353	572
Grounds maintenance	32	-	32
Heating and air conditioner maintenance	-	287	(287)
Storm sewer	1,093	929	164
Building maintenance	865	1,276	(411)
	<u>33,542</u>	<u>31,862</u>	<u>1,680</u>
Administrative expenses:			
Insurance	55,845	57,095	(1,250)
Banking services	6,854	5,596	1,258
Legal services	7,895	7,455	440
Cleaning services	6,030	5,652	378
Accounting services	9,100	7,950	1,150
Postage	19,220	17,593	1,627
Public notices	2,592	2,579	13
Contract services	1,352	1,313	39
	<u>108,888</u>	<u>105,233</u>	<u>3,655</u>
Total administrative expenses	<u>\$ 576,554</u>	<u>578,789</u>	<u>(2,235)</u>
Non-operating expenses:			
Interest expense	\$ -	7,214	(7,214)
Loss on sale of equipment	148,323	-	148,323
Board compensation	900	900	-
Miscellaneous	9,949	15,338	(5,389)
Economic development	8,000	8,000	-
Total non-operating expenses	<u>\$ 167,172</u>	<u>31,452</u>	<u>135,720</u>



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on
Internal Control over Financial Reporting
and on Compliance and Other Matters Based on Audits
of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees of the
Marshalltown Water Works
Marshalltown, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States the financial statements of Marshalltown Water Works, as of and for the years ended June 30, 2015 and 2014, and the related Notes to Financial Statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Marshalltown Water Works' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshalltown Water Works internal control. Accordingly, we do not express an opinion on the effectiveness of Marshalltown Water Works' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Water Works' financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshalltown Water Works' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Water Works' operations for the years ended June 30, 2015 and 2014 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Water Works. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Water Works' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Water Works' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Marshalltown Water Works during the course of our audits. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
October 30, 2015

MARSHALLTOWN WATER WORKS

Schedule of Findings Years Ended June 30, 2015 and 2014

Part I: Summary of the Independent Auditors' Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audits did not disclose any non-compliance which is material to the financial statements.

Part II: Other Findings Related to Required Statutory Reporting:

- 15-II-A Certified Budget - Expenditures during the years ended June 30, 2015 and 2014, did not exceed the amounts budgeted.
- 15-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 15-II-C Travel Expense - No expenditures of Marshalltown Water Works' money for travel expenses of spouses of Marshalltown Water Works officials or employees were noted.
- 15-II-D Business Transactions - No business transactions between the Water Works and Water Works officials or employees were noted.
- 15-II-E Bond Coverage - Surety bond coverage of Water Works officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 15-II-F Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 15-II-G Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Water Works' investment policy were noted.

MARSHALLTOWN WATER WORKS

Audit Staff

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